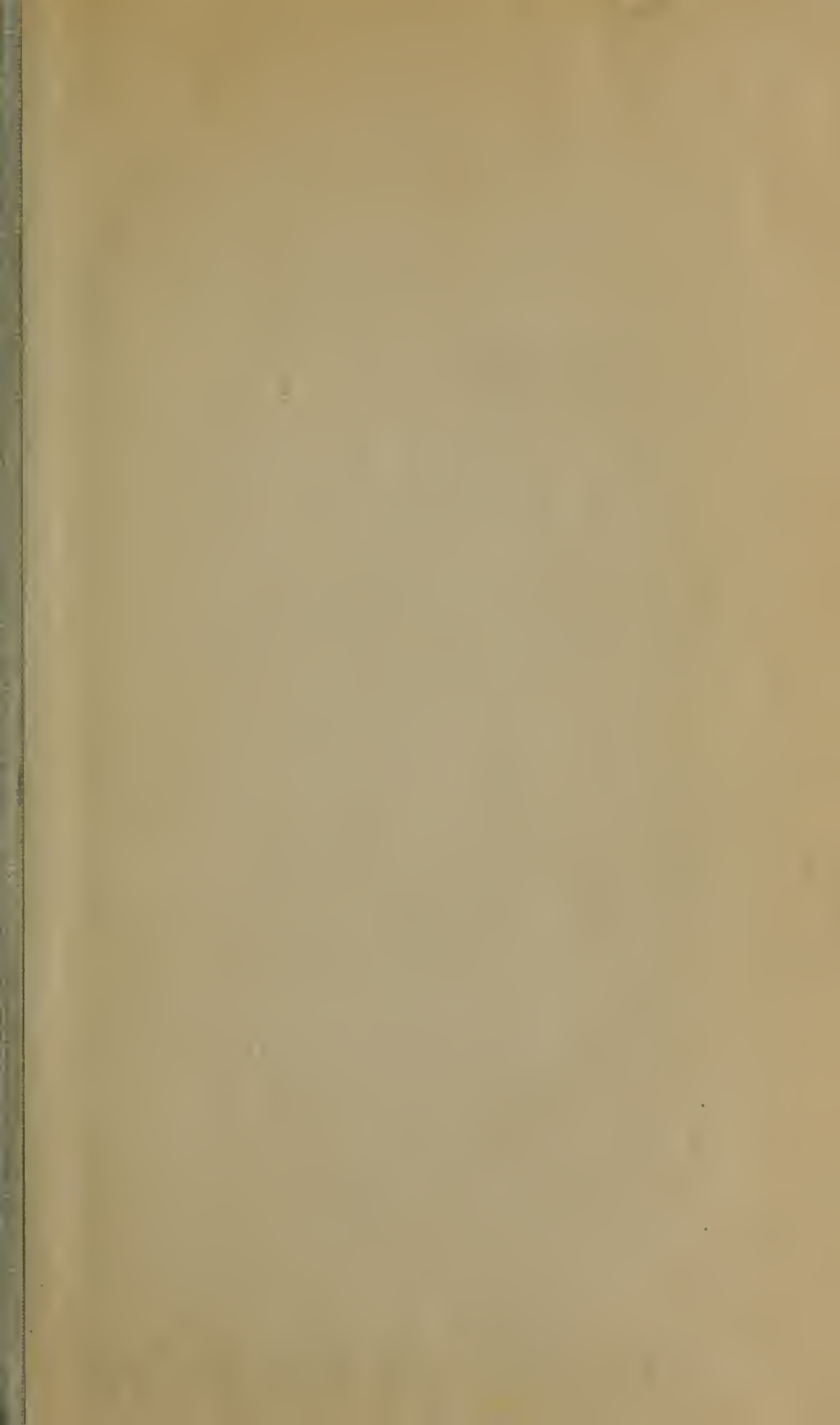


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MERCATOR'S REPLY

TO

MR. BOOTH'S PAMPHLET

ON FREE TRADE,

AS PUBLISHED IN THE LIVERPOOL STANDARD.

TO WHICH ARE ADDED,

TWO LETTERS ON THE CURRENCY QUESTION,

AND

ONE ON TAXATION,

BY JOHN GLADSTONE, Esq.

LIVERPOOL :

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MR. BOOTH'S PAMPHLET

ON FREE TRADE,

AND ITS EFFECTS ON THE PEOPLE.

SIR,

I HAVE been reading the above treatise by Mr. Booth: it appears to be ably written, forcible and perspicuous, very ingenious, and, so far, highly creditable to the author; and although he has, throughout, assumed a bold tone of authority and dictation, as if his statements would not admit of either doubt or appeal, I mean to take the liberty of questioning many of the presumed facts on which he founds his assertions.

Differing, as I do, from Mr. Booth in the views he takes, and the conclusions he draws upon the very important subjects which he has discussed, I might, as a matter of speculative inquiry alone, have been induced to question his statements: but this desire is much increased by the apprehension I entertain, that the very plausible and fascinating prospects which he holds up, keeping in the back ground, or wholly omitting to state, the evils with which I consider them to be pregnant, may induce many readers, who take only a superficial view, to agree in his

conclusions, to expect they may be realized, that they are just and sound in principle, founded on facts, and of practicable application, which I must dissent from and deny, though not without the hope that others more able and competent may be found combating his views.

His axioms I pass by as abstract principles, important, or not, according to the nature of the propositions to which they may be applied. In my view of the subject, I do not find it necessary to notice them further, my intention being to address myself to the common sense and practical experience of your readers, and not to attempt to lead them into labyrinths of abstruse or complicated reasoning, drawn from the fine spun theories of political economists.

If I rightly understood Mr. Booth, he requires us to believe that it would be wise and beneficial to withdraw *all* protection from agriculture, trade, and manufacture, and to adopt a free and unfettered intercourse with the rest of the world, purchasing only where we could buy best and cheapest, without preference or partiality for the productions or industry of our country and our colonies,—this, he *flatters* himself, would not only be hailed with delight by those to whom we should thus open our arms, and surrender our resources, but that we should lead them by our example to adopt a similar course of conduct towards us; for this purpose he deprecates the preference given to the timber of our North American Colonies, and the sugar and coffee of our tropical possessions, the protection afforded to our fisheries, to the agricultural interests of the united kingdom, to the working of our iron mines, and other minerals, and to our various manufactures, as being, *in his mind*, not only impolitic and unnecessary, but as peculiarly prejudicial to the interests of “the people;” and finally assures us, that if his

advice is followed, the evils which now press, more or less, upon the country, would, ere long, be dispersed and disappear,—that they would be succeeded by sources for ample employment, with sufficient remuneration to *all classes*, producing general prosperity, attended by, and productive of increased intelligence, comfort, and contentment; in short, that we possibly might, ere long, find our country converted into something like another Utopia!

To prove the practical correctness of these doctrines, he begins by attacking the timber duties, and tells us, that he has discovered what those statesmen who made this subject one of long and patient inquiry, failed to ascertain; and who, after much consideration, determined, as they thought, on national grounds, to prefer, and therefore, to a certain extent, to protect the timber trade of our colonies before that of foreign countries:—that such a course of policy was unwise and *illiberal*, and that in adopting it, they had sacrificed the interest of “the people;”—in order to mark this opinion more strongly, and to aid him in exciting a similar prejudice on the minds of others, he stigmatises the *duty* to which foreign timber is subject, and denounces it as a *penalty* on that extensive branch of foreign trade from which a large revenue is drawn. Let us examine the facts.

For the timber obtained in our colonies about one-fourth part of the price it produces here is paid to the shippers, not in money to be withdrawn from us, but in the manufactures and productions of the mother country, and her other possessions. With the exception of duty paid here, landing charges, and ordinary profit of the importer, the remainder, being the chief part, is paid for freight to British vessels that are built, fitted, and provided with stores by British subjects, and navigated

by British seamen; thus the *whole* fruits of the trade are distributed and paid to our tradesmen and manufacturers, or, in other words, to “the people;”—this commercial navy, *at the same time*, forming one of the most important nurseries for seamen to man our wooden walls when dangers assail from without ! If these are not *British* objects of great *national* interest I know not what are, or where capital can be more usefully, honourably, or beneficially employed for the good of “the people !” I state this on its merits, and separate British interest, without reference to the immediate interests and natural claims of the colonies, as branches of the national family, to whom Mr. Booth loudly complains “the people” are sacrificed; although it ought not to escape consideration, that our North American colonies have provided for us an immense field for the emigration, establishment, and employment in productive labour, of our surplus population, with comfort to themselves, the whole fruits of which may be said to be so much gain to the mother country, in place of being thrown into the resources of foreign states.

But the British timber trade is only one branch of the whole; for there is also, it is well known, a great annual importation of timber and deals from foreign countries, for which *higher prices* are paid to the shippers than those our colonists receive; these importations, particularly from Norway and Sweden, are almost wholly made in *their* ships, to the exclusion of British; from Prussia, by much the larger proportion is brought in the same manner, and it is from Russia alone that a greater number of British than foreign vessels are employed in the trade. The foreign shippers of this timber draw bills on the importers for the cost, and expend the money where and as they please;

we know that most of their vessels leave our ports in ballast,—their ships are built, fitted, and stored in their own ports,—they are manned by their seamen, to be, perhaps, hereafter converted into hostile crews in the service of our enemies, and their freights, after payment of port charges, are transmitted to their homes. I ask, what advantages do “the people” of these realms reap from this trade? and, why we ought to place it on an equal footing with that of our colonies? But Mr. Booth has told us, that the timber which our colonies supply is all of a very inferior quality; let us inquire how the facts bear him out in this assertion.

Before the present scale of duties was settled, many competent witnesses were examined by a committee of the House of Commons, when it was ascertained, from their evidence, that ships built with the pine of Nova Scotia, and in that colony, were equally, if not more durable than the fir ships built at Petersburg and Archangel; that the *red* pine, used for the frames of houses in Halifax, and constantly exposed to the weather, had then endured for upwards of forty years without decay; that the yellow pine of our colonies was much freer from knots than that of the Baltic, and more easily worked, therefore preferred by our tradesmen for many purposes, and particularly for the inn-door finishing of houses, without reference to relative price; and what is still more important, it is found equally durable with foreign, as far as experience has yet afforded authority to judge. With regard to our dock-yards, on which so much weight is laid by Mr. Booth, I believe pine timber is not much in use there; the deck-plank of Dantzic is preferred on account of its greater lengths and superior preparation, but the masts, spars, and red pine barks of Canada are also approved and consumed.

To equalise the duties on foreign and British timber as proposed by Mr. Booth, or even materially to alter the present scale, it must be evident to every one conversant with the trade, when the difference in distance between the sources of each supply is considered, that one of two results would arise, either to enhance the prices on the British consumer, in consequence of the advantage that would be given to the foreigner, and the opportunity thus afforded him to rise in his demands, or the trade with our colonies would be wholly extinguished; whereby, as I have previously stated, many hundred sail of large British ships would be thrown out of employment, as well as many thousands of British seamen, together with the numerous body of tradesmen and manufacturers of all descriptions, the fruits of whose labours they now consume, subsisting, encouraging, and making us dependant on foreign produce, shipping, seamen, and tradesmen, who give a preference to the productions and manufactures of their own countries, spending the money we pay them at home, where the necessaries of life are cheap and abundant, and taxation of small amount; thus giving them uncalled-for advantages over us, which our heavy taxation, and consequent artificial state, disables us from successfully competing with. Is this, then, a consummation for "the people" of the united kingdom to court or desire?

For the present I conclude, intending to follow up the other subjects of Mr. Booth's pamphlet for your next or following publication, and am yours, &c.

4th February.

LETTER II.

SIR,

I now resume the consideration of Mr. Booth's pamphlet. In my last letter I discussed the question of timber duties; the next in order is the presumed protection afforded to our sugar and coffee colonies, and our other possessions in the East and West Indies. That these are entitled to protection it will not be difficult to prove: while, I regret to say, that as far as the great staple, sugar, is concerned, that protection is more nominal than real. When the home market was dependant on the *old* colonies for supply, that supply did not exceed the consumption, and fair remunerating prices were paid to the planters in consideration of the restrictions they were then placed under, now chiefly withdrawn; these restrictions obliged them to send *all* their produce to the mother country, and to receive *all* their stores and supplies from the same quarter. When the conquered colonies were ceded to us, their produce was admitted here on similar terms; in consequence, the supply exceeded the home consumption, and a considerable annual surplus has since then been left over for exportation, the prices obtained for which in the foreign market necessarily govern those of the whole importation in the home, and thereby render nugatory the protection it was the intention of the Legislature to give. The want of this protection is severely felt by the planters, subjected as they now are, with greatly reduced returns, to increased

expense, in order to satisfy public opinion, and also to restrict labour from their people, such as does not exist in the Foreign colonies with which they are obliged to compete in other markets.

The advantages reaped by the mother country from her intercourse with the sugar colonies have been often and ably stated by others, who are more competent than I am to do so:—when the extensive tonnage and seamen employed by them are added to those occupied in the British Colonial timber trade, I believe they will be found to amount to nearly one half of the whole commercial navy of Great Britain. These colonies afford a very extensive and important market for the sale and consumption of our manufactures, and the revenue derived here from the importation of their produce is known to be of *great amount*; neither could partial supplies of any extent be procured from other quarters, were they to become necessary, without the public, that is “the people,” being subjected to the payment of enormous prices to obtain them. I think Mr. Booth is one of those who advocate the early, if not immediate emancipation of the slaves in these colonies, and who desire in the interval to put the planters to increased expense, and would further restrict the existing moderate period of slave labour. Can he desire to extinguish altogether the almost hopeless exertions of the planters, by substituting the produce of slave labour in Foreign countries and colonies, where the system is pursued with unmitigated severity, and without any prospect being afforded of *mitigation* or *change*? Is it for such an object that he proposes to admit their produce to our markets without restriction, and to put to imminent hazard the lives of both the planters and their slaves, with the destruction of the mass of interests interwoven with,

and supported by our colonial system? If so, where is his humanity, and why is his benevolence asleep? I hope, and I think, that he cannot be aware of the too probable results that would thus be produced, and that his philanthropy may yet step in to awake him. With that hope I proceed to the next national interest that he considers to require improvement and change,—that is, the protection afforded to our fisheries.

The encouragement given to our fisheries has ever been held to be a measure of sound national policy. Whilst in comparative infancy they were fostered by bounties, which, as they approached stability, have been gradually withdrawn. Our ablest statesmen have viewed them as a source of certain and growing wealth, obtained at small expense, affording employment to a large body of tradesmen—"the people"—and rearing the hardiest race of seamen in existence; these appear to me to be advantages of no ordinary degree, and that ought not, for the sake of trying new theories, to be rashly put to hazard—fortunately, in these times of novel experiments, in this case no opening could be found for such. Mr. Booth complains of the duty on foreign oil, but is it not a dead letter? when was it paid? and is it not well known that, on the contrary, "*train* oil" is occasionally an article of export to the Dutch and German markets?

The protection afforded to the produce of our mines is the next subject of Mr. Booth's censure, and to support his charges he tell us, that we impose a duty of thirty shillings per ton on foreign iron; (this duty he again designates a *mitigated penalty*, because a previous rate was higher,) and adds, that it was equal to 25 per cent. on the value. If he will take the trouble of turning to the prices current, he will find Swedish bar iron in bond, in London, quoted from £11 10s to £12 10s per ton,

average £12—on which 30s duty is $12\frac{1}{2}$ per cent. in place of 25. This of itself is of little importance, but it shows the careless manner in which Mr. Booth provides his facts, and his readiness to seize on such as appear to suit his purpose. For my argument it is immaterial, as our iron trade happens to be independent of such protection; the present price of British bar iron here is about one-half of that required for Swedish in bond; the export is of great magnitude to every market where iron is admitted, and the depression from which the trade has been suffering is not caused by foreign competition in this or other markets, but from an excess of production beyond consumption or demand, and the consequent competition between the iron masters for the supply of the market from their accumulated stocks. It is true, the general quality of our iron is more hard and brittle, and for certain purposes less suitable than Swedish and some descriptions of Russian; but British is also now prepared in the same manner, to a sufficient extent, and of similar tough quality with the best foreign, which Mr. Booth states to be so essential and important. Neither lead, copper, or tin, are noticed by him: I have, therefore, only to observe that, although likewise protected by nominal duties, they are also exported to a large extent in the face of foreign competition; therefore, whilst no market for foreign iron can be found here, it is like folly to propose the exchange of our manufactures for it.

Mr. Booth then proceeds to condemn the system of lower duties at which the wines of Portugal were admitted here by treaty, in consideration of the preference given to our woollen and other manufactures on their importation into that kingdom; and he hails, as a symptom of the approach of *more liberal principles*, the equalization of the duties on foreign wines, by which those

of France and Portugal were placed on the same footing ; this change was made by the present government in the first session after their accession to power, and formed a part and parcel of their very novel and far-famed budget of finance, which had for its object to repeal certain taxes, and substitute others in their place ; of the last this was one, but the whole measure terminated, as is well known, in all but a total failure. Mr. Booth is pleased, rather unfortunately for himself, to congratulate us on this change, and professes to treat with something like contempt what he thinks proper to call “ the fanciful notion, sanctioned by the wisdom of our ancestors ;” that is, he adds, “ that France would supply us with the produce of her vineyards, but decline taking the produce of our skill and industry in return !” He has not, however, thought proper to tell us (although he must be aware that the wines of France have been admitted to our market for the last eighteen months on the most favoured terms) what are the branches “ of the produce of our skill and industry” that she has agreed to receive in return ! Are they our cotton goods ? our woollens ? our silks ? our hardware ? to each he must answer “ no” ! —to what then does he refer us for evidence of the benefits we reap from this new system of reciprocity ? the wisdom of which I for one, as well as “ our ancestors,” am “ fanciful” enough to doubt. I hope he will yet inform us. It is true, Mr. Stanley, the Irish Secretary, and a member of the present cabinet, in the speech he lately delivered at Lancaster, (which has been so much lauded by some and condemned by others) also affects to congratulate us on the intimate connection we have now formed with France, under his and his colleagues’ auspices, but of the benefits derived from it there is a sad lack of evidence ; all he had to offer was of a *prospective* nature,

and in the distance, for nothing has yet been done: he states, “*that undoubtedly after a considerable lapse of time, but in consequence of our liberal conduct,*” their manufacturers were now petitioning to be permitted to export their silk, that their ministers *intend to* comply with their wishes, and also to permit the import of British yarn; but he has omitted to tell us when these *intentions* were to be carried into effect, or to what duties the silk and yarn would then be subject; no doubt, because he did not know.

But let us suppose this species of reciprocity to be in action, and that we give to Mr. Booth and Mr. Stanley the advantage of it; we have then next to consider what we may expect to reap from it, as a set-off for having abandoned our close intercourse and beneficial connection with unfortunate Portugal, our old and faithful ally.

The time was, when the silk of the south of France was wanted, and when permission to import it would have been an acceptable concession to the Spitalfields weavers, the descendants of the French Hugonots, who found shelter with our “fanciful ancestors,” when obliged to fly from France to escape the persecution of the ancestors of our uniform and ancient enemies, now converted into our “liberal allies,” and who then introduced that manufacture here; but, fortunately, we have now got new sources of supply, and the means for obtaining them in our own hands: these are abundant from China, and our possessions in India, and have been followed by the existing great extension of this branch of manufacture, affording employment to many thousands of operatives in this and the adjoining county, who, by their skill and ingenuity, rival the goods of their French opponents in the foreign markets: and while the trade is advancing here without the aid of French silk (expected

as a boon by Mr. Stanley,) it is known to be sinking and retrograding there. Next as to our yarns:—the export of them is considered by our weavers as but one step removed from that of the raw material itself; and I ask, have not the operative weavers of cotton in this country, (no inconsiderable body, but forming at least a proportion of “the people” whom Mr. Booth has so courteously volunteered to take under his wing,) repeatedly petitioned the legislature to forbid the exportation of cotton yarn as a business which they considered as being most injurious to their industry and interests? I thus throw back these congratulations on their authors, as affording matter for their renewed consideration.

I would now proceed to consider the next object of Mr. Booth’s attack, but having already exceeded the bounds of an ordinary letter, I shall postpone doing so for a few days, when I intend again to request access to your columns.—Yours, &c.

February 8th.

LETTER III.

SIR,

I resume the consideration of Mr. Booth's pamphlet. He proceeds to complain that we give an undue preference to our woollen, cotton, and silk manufactures, and by protecting duties prevent the introduction of foreign goods of similar descriptions; he considers these regulations as the fruits of a "narrow policy," founded on "ideal apprehensions," and that were we to repeal them, the nations of the continent would not only supply us with innumerable articles of convenience and luxury, but they would willingly take payment in such as are produced by our labour and ingenuity, which he says, our peculiar advantages enable us to supply.

I am not able to discover what are the descriptions of cotton and woollen goods to which Mr. Booth means to refer. That such duties continue to find a place in our book of rates is true; but can they be otherwise considered than as nominal, when it is well known that cotton and woollen goods of British manufacture form nearly three-fourths of the *whole value* of our exports, and that both on account of quality and price, they meet with a preference in every foreign market where competition is permitted? Is it not then "ideal" to assert, that if these duties were repealed, such articles of foreign manufacture would find a market here, and is it not a delusion to suppose it? That these duties remain in

our tariff, unproductive of any benefit to either our trade or our revenue, may fairly be imputed to an oversight.

As regards silks, there are still certain articles of French manufacture, which female taste, ever fond of novelty, prefers to those of home production; yet even in such, it is not unfrequently imposed upon by the substitution of British of similar appearance; and is it not also known that some descriptions of our silk goods, light handkerchiefs for instance, are sought for and smuggled into France, the direct importation being prohibited, and not admitted on countervailing duties, such as exist here? At no inconsiderable sacrifice in our intimate connexion with Portugal, we have set France the example of what is called "a liberal commercial policy," by the admission of her wines at the lowest duties, without any concession in return being as yet made on her part: if she sincerely desire to cultivate a reciprocal intercourse with us, [but which I must beg leave to doubt] let her invite us to repeal the duties on her manufactures, on the condition that she repeals those on ours; but, until then, let us not be taunted for protecting the industry of our operatives, and the beneficial application of our capital, in preference to encouraging the foreigner at the expense of both! Mr. Booth has told us that if we were to do so, certain articles of ingenuity and labour would be taken from us in payment; but he at the same time keeps us in perfect ignorance of what he means to refer to; perhaps he may yet think proper to enlighten us by explanation.

Mr. Booth next advances and advocates a principle in the most unconditional manner, which, were it to be confided in, even by the credulous, might be productive of the most mischievous and injurious consequences—

it is as follows; *and his whole system of change and innovation appears to rest upon it.* He has stated, that if we were to withdraw all protection, and open our markets generally to all foreign productions, our goods or manufactures would be willingly taken in payment by the foreigners to the full amount of such importations. I cannot suppose that he means to propose as a condition, that this should be stipulated for. Such a proposition is in itself incapable of being acted on, and would be in the teeth of all his theories. If he means that it will be a voluntary act on the part of the foreigner, I must deny the correctness of such an assertion—all past experience is against it, and that is our only safe guide; we know that if the foreigner can buy what he wants on better terms from us than he can elsewhere, we shall be sure of having him for a customer; but if he can purchase what he requires on better terms in other markets, he will take our money, and not our goods in payment for such as we receive from him; this is human nature, and every day's experience, in even the common concerns of life, tends to confirm it. I beg to refer Mr. Booth to past times, that must live in his recollection as a corn-merchant, when deficiency in our crops was necessarily followed by heavy importations of foreign corn; and then to ask, if these were paid for by an *increased* export of our manufactures? I do not hesitate to say, *certainly not*; I challenge a proof of the contrary. After exhausting the existing favourable balance, arising from our general trade, by its application towards the payment for these importations, the further cost has been paid for in the precious metals, and in these alone. Let those who may doubt refer to the statements of the exports of those metals during these periods, as

furnished by the Bank of England, and to the invariable fall in the rates of exchange in Holland, Germany, and the North of Europe, from whence these supplies of foreign grain have been chiefly drawn, and there I think they will find enough to satisfy them that such is the fact. Let us not then delude ourselves by entertaining such dangerous theories, nor permit them to induce us to make such hazardous experiments, by withdrawing protection from those branches of manufacture that may still require it. For the present I leave this subject, as I may probably have again occasion to revert to it, when I come to consider Mr. Booth's *reasons for advocating*, and propositions for a free trade in corn.

Previous to examining these propositions, I must advert to Mr. Booth's observations on the trade with China, which forms his next subject of complaint. It must be obvious to every intelligent person, that the restrictions to which this trade has hitherto been subject are very dissimilar in their nature and objects to those others on which this gentleman has animadverted. He has discussed such branches of our commerce and manufacture as it has been deemed expedient to protect from *foreign* invasion, or that have now reached a state in which they are competent to protect themselves ; but the trade with China is not a question to which the foreigner is a party, being one between a privileged body of our fellow-subjects and the public at large. The claims of the East India Company are about to come under the consideration of parliament. In the infancy of British commerce, extensive national enterprise—such as the trade with India and China—was beyond the means or capital of private individuals ; it

was therefore *necessary*, in order to encourage and induce numerous bodies to form themselves into companies, and embark in such distant undertakings, to grant to them the protection of exclusive privileges for limited periods; and such was the origin of the China trade. These motives have long since ceased to act, and yet, notwithstanding, these exclusive privileges have repeatedly been most liberally renewed for additional periods to the East India Company. The time is now at hand when they will terminate; and as regards the China trade, as they are not likely to be renewed, the trade must then be opened to the public at large. Until that period arrives, it must be obvious that no British merchant can engage in it, and it is equally so that the foreigner has the power of doing so, to which, by their original enterprising arrangements, the East India Company paved the way for him.

Before I close this letter, I must venture to notice another dogma, or proposition, put forward by Mr. Booth, as unquestionable and conclusive, but which I confess I am either too obtuse to understand, or too ignorant to concur in. He says that "it ought never to be forgotten that a certain amount of capital and labour is *more beneficially* employed in manufacturing an article for exportation, in lieu of one imported, than in manufacturing a 'projected' article for home consumption."—Or, I venture to suppose, that in other, but plainer words, he means to say, that we should at once abandon the manufacture of all such articles as are now protected, whatever may be their nature, or the probable consequences of doing so, and receive such from the foreigner alone, but with the impracticable proviso, that he is to take other manufactures of ours *in lieu of them*. Now as no such condition can be made, I might stop here, and

say, there is the answer; but were it even practicable to act upon it I should still doubt its policy or expediency.

Most manufactures require protection to nurse and encourage them in infancy; the supplies they afford it may be very important to secure for home consumption, and their gradual growth may afford a reasonable prospect of a change of character, and ultimate competition with the productions of the foreigner; and under such circumstances are we to adopt Mr. Booth's sweeping principle, and at once extinguish them. Does not common sense say *no*? But let us go a little further,—as the basis of commerce, whether external or internal, is the exchange of productive labour through the convenient medium of money; when we sell the fruits of ours to the foreigner, we are to that extent benefited, but in receiving his in return, a reciprocal benefit is conferred on him. So far the principle is sound; but in the first instance we can exchange the fruits of *mutual* labour with our fellow-subject, and promote his prosperity as well as our own by doing so; is not this a double in place of a single advantage, whereby both will be better enabled to discharge their national duties, and bear their shares of our heavy public burthens, to which the foreigner does not contribute. This surely is also sound doctrine; but it does not stop here. I contend that beneficial foreign trade can only be founded on, and supported by, internal prosperity; it is that prosperity, created by the interchange of the products of our mutual industry, that affords a surplus to be applied to the purchase of those articles of foreign production, which are and must be received in payment for nearly the whole of our exported manufactures; and without such a home-market for their sale and consumption, the export trade could not exist. Is not then the home-

trade the basis of the foreign, and is not the home-market therefore the more safe, certain, and preferable of the two?—if so, it follows that it is our duty to protect it.

I conclude for the present: my next is intended to examine the facts and principles on which our present corn laws are founded, and the grounds on which Mr. Booth rests his proposition for their repeal, and the substitution of a free trade in this necessary of life.

I am yours, &c.

12th February.

LETTER IV.

SIR,

I RESUME the consideration of Mr. Booth's propositions. The principal and remaining branch of his system not yet noticed, is, "Free Trade in Food," which I now propose to discuss. He exerts all his *energy* and power to persuade us to approve of the free importation of *all* the necessaries of life; he assures us that the industry of our working classes would thereby be stimulated and encouraged, and that those foreigners who supplied us with food would willingly receive payment in our manufactures; and he then tells us that it is bad policy to protect our home agriculture, because it is more expensive than to encourage that of the foreign grower. Having assumed these assertions as *facts* that

ought to be admitted, he proceeds in the way most convenient for his purpose to enumerate what he considers to be the objections made to his system, and having disposed of them in a manner with which he seems perfectly satisfied, he hails with delight the consummation of his labours, and the presumed approval of his doctrines by a *Reformed* Parliament.

It however happens, in the course of his career, that he discovers stumbling-blocks in his way, which it is rather difficult for him to deal with; he finds himself forced to admit, that one of the results of his measures is likely to be the breaking down and ruin of our agricultural community; but to obviate the effects of this evil, he proposes that a tax should be laid on the importation of foreign food, and applied to the support of the mass of that body when thrown out of employment and reduced to a state of pauperism, until *means* are provided to enable them to emigrate elsewhere; this may astonish the credulous, but it is nevertheless *true*! He next admits, that notwithstanding the prospect of a happy change of circumstances, which he holds up to the working classes, they must nevertheless be prepared to look forward to lower rates of wages than they at present receive; but then he consoles them with the *promise* of the certain supply of cheaper food, and that they *shall* also have the advantages of enlarged education, with increased intelligence, to improve their moral and intellectual state, which he laments is, at present, generally depraved and worthless; he also warns them that whilst the number of labourers exceeds the means for employment, wages must unavoidably continue low, and this he proposes to meet, or avert, by recommending *caution* in entering into the married state! I think I might fairly urge, that by these admissions he destroys the fabric his

fertile imagination had created, and, therefore, safely leave him to extricate himself from them as he best can—but to proceed :—

The basis on which Mr. Booth builds his system of free trade is, *to increase the value of money, and in that proportion reduce the value of the fruits of all productive labour.* Under such a system the extent of our circulating currency would necessarily be curtailed, the income of all classes, (with the exception of the annuitant, mortgagee, and fundholder,) be diminished in amount, and, in that degree the pressure of our public burthens must be increased. On the other hand, I contend, that whilst the value of money can be kept down, that of productive labour will be proportionably high, and the pressure of taxation in that proportion diminished. The great amount of revenue required to pay the interest of our public debt, as well as to support our establishments, has placed this country in an artificial state, for which no precedent is to be found in the situation of any other : to deal with it so as to fulfil our engagements with good faith, and uphold general prosperity, is certainly a work of increasing difficulty, but I contend that that difficulty would be increased, rather than diminished, by the adoption of Mr. Booth's free trade system. At the present period, the abundance of production beyond consumption forces up the value of money, and tends to increase that difficulty, but we must take things as they are, and deal with them accordingly ; we cannot obtain release or relief by either deprecating or lamenting the causes which have placed us in this situation, although Mr. Booth has freely indulged himself in the abuse of them.

To return to "The Free Trade in Food," as advocated by Mr. Booth. I consider it to be admitted, that the first and imperative duty of the government of any

country, however that government may be constituted, is by every means within its power to protect the permanent supply of food for "the people." In applying this principle, where it is practicable to procure that supply of home growth, it has ever been considered the most certain, safe, and beneficial course to do so, only resorting to foreign importation when bad seasons, and deficient crops, made it necessary. Holland, as stated by Mr. Booth as an example in favour of his system, is an exception to this rule, and it may be fairly asked why it should be so? The reasons are obvious; in that limited kingdom the population is unusually crowded in proportion to the surface it occupies; their growth of corn is therefore *uniformly unequal* to their consumption, and makes foreign supply *necessary*; the lands of Holland, lying chiefly low, are more suited for pasture than corn; the dairy system is therefore very generally adopted: in consequence they make and export large quantities of butter and cheese, with flax and clover seeds, with which they pay for the foreign corn they consume. As these supplies are received from necessity and not from choice, they are admitted free; the cultivators of the soil do not require protection by duty, and to impose it for revenue would be to burthen the consumer in a country where taxation appears to be moderate, when compared with ours, and the population not above one-eighth part of that of Great Britain. Holland has long been used as a granary and the intermediate depot of the corn of the Baltic, which there waits for the demand from countries in which the failure of crops may render it necessary to have foreign supply, at a season when it could not be obtained direct from the Baltic ports. This branch of trade our warehousing system is calculated to encourage, but in no other respect is there

any analogy between our case and that of Holland. With a population of sixteen millions, with Ireland almost wholly dependant on her agriculture, and compelled as we are to raise a large revenue within ourselves to meet our public burthens, it seems to me, that were we not to protect our home supply of food, we should not only put to hazard a great public resource, but risk having to encounter famine and national bankruptcy.

The protection now given to our agriculture, Mr. Booth contends, as relates to corn, taxes the country to the extent of ten millions annually; and in the same gratuitous manner he assumes that animal food, potatoes, and other contingencies, cost as much more—his estimates are immaterial; the principle, and the object of this protection is all. The country is unavoidably heavily taxed, and it is therefore necessary that each branch of the community should contribute to promote the industry and benefit of the whole, as their interests *cannot be separated* without inflicting general injury. Mr. Booth informs us that our annual consumption of corn amounts to, or exceeds, fifty millions of quarters; this is at present provided by our home growths when the seasons are favourable, and this source of occupation affords employment and support for a full third part of the whole community of the united kingdom, who are the principal consumers of our manufactures, who take off a large proportion of the foreign produce which is received in payment for manufactures exported, and who pay for the whole with the fruits of their labour; all thus reciprocating mutual advantages.

Mr. Booth has asked “for whose benefit is this appalling tax imposed on the people of England?” I answer, without hesitation, that it is not taxation, but the price of protection, afforded to a regular and safe

supply of food, from sources in which they are all deeply interested, each with the other, such as they could not obtain to the same extent, and on the same terms, from any other quarter whatever. He then attempts to persuade us, that if a free trade in corn was permitted, the Foreign grower would take payment for his supplies in our manufactures. I have already stated that experience has proved the contrary to be the fact. As an illustration, I would refer to the conduct of the Americans of the United States; their vessels carry cargoes of lumber, fish, and provisions for sale to our West India Colonies, but they refuse to barter such for sugar, rum, or molasses; their general practice is to sell for cash alone, and they go from colony to colony, British and Foreign, until they obtain it. The time was when they willingly received payment in produce, but it is no longer their interest to do so, because they have abundant supplies of home distilled spirits all over the Union, and of sugars from New Orleans, which their government protect by heavy duties on those of foreign production; yet we hear this government lauded as wise and liberal by those who think with Mr. Booth, whilst they call loudly for the extinction of all such protection here! Is this then not evidence of what we may justly anticipate from Mr. Booth's reciprocal system, and might we not expect to be similarly treated by the nations in the North of Europe, were we to place ourselves in a state of dependence upon them for food?—To carry this species of illustration into a different channel,—lumber, fish, and provisions, are also taken in a similar manner from our North American Colonies to those in the West Indies, but they take their payments in produce, because they have neither distilleries to supply them with spirits in quantity, nor home-made sugar; this is therefore a

simple reciprocal barter, beneficial to both, and such as at present takes place between our home agriculturists and our manufacturers.

Let us next consider what is the present state of those countries lying on the Baltic, the North Sea, and Black Sea, who are occupied in raising corn for exportation. When Spain possessed her South American provinces, and Portugal the Brazils, the wealth drawn from these sources caused the home agriculture to be neglected; in consequence, they annually imported large supplies of foreign corn, chiefly from the North of Europe; but now, since these channels of beneficial commerce have passed into other hands, the want of them has excited their industry, and in consequence Spain has become an exporting in place of an importing corn country, and Portugal provides enough for her own consumption in ordinary seasons; the North of Europe is therefore deprived of these markets, whilst such as remain to them, like Sweden, Norway, and Holland, are very much circumscribed.

When the British ports have been shut against foreign corn for any length of time, as they were for several years previous to 1826, the prices of all grain in the North of Europe fell extremely low from the want of an export vent; at Dantzic and the other Prussian and Pomeranian ports, fine and good wheats were sold from 15s to 20s per quarter Winchester, shipped free on board; freights to Liverpool from 3s to 4s more; Barley 10s to 12s, and Oats 7s to 8s. Notwithstanding this depression, cultivation proceeded as before, without regard to the injury suffered; having no other employment for their lands, they had no choice, but persevere and hope for a favourable change. In Saxony and Poland, from the heavy charges of transport to the

coast, their wheats produced next to nothing to the growers; the cultivation was therefore generally abandoned and rye raised in its place, with which I understand they feed their sheep in winter to improve the quality of the wool.

Were a free trade in corn to be established here, nearly the whole crops of these northern countries, together with those of the Russian dominions on the Black Sea, would be poured into the British markets; any depression in prices would not interrupt it, for however ruinous such depression might be to the British farmers, it would still be satisfactory and remunerating to the foreign grower, who, availing himself of our metallic currency and bullion, would consult his convenience in the mode of payment, and as I have already shown from past experience, drain us of our precious metals.

Let us next contemplate deficiency in our home produce caused either by diminished cultivation or unfavourable seasons, so as to render that foreign supply necessary, which Mr. Booth is prepared to hail as a boon and a blessing! In such a state, should we not be put in the power of the foreign grower, who, knowing our wants, would stipulate for his own price, before he parted with his supplies? well aware, that in such a case, we must buy on his terms, or be prepared to grapple with famine. We have repeatedly been placed in this situation by unfavourable seasons, and has not this been the practice at such periods? Yet even after paying exorbitant prices, and exhausting their stocks, I ask Mr. Booth if we have ever, in any one season, been able to procure supplies to the extent of ten millions of quarters of *all kinds* of grain, or one fifth part of *his* estimate of

our consumption; and when deficiency has greatly exceeded that proportion, has not famine been avoided by strict economy in consumption, caused by the prudence of the higher, and the inability of the middle and lower classes to pay the high prices; Yet Mr. Booth proposes to make us dependant for food on such resources; and these too, that are at times beyond our control, and subject to great diminution from unfavourable seasons. To such hazards he would expose us, by oppressing and putting down our home agriculture, destroying the many mighty interests that are interwoven with it, in order to encourage the growth of foreign corn for our supply, in the vain hope that our manufactures would be taken in payment for it.

From the earliest times up to the present hour it has ever been the object of our most *patriotic* and *ablest* statemen to protect the home growth of corn, as the safest and only sure source for the supply of food to "the people." At a period when our burthens were light, and population comparatively small, it was the wise policy of the legislature to encourage production, by granting bounties on the exportation of the surpluses, when such existed; at more recent periods, when increased population no longer left an excess for export, the same principle of protection in the home market has been persevered in for the encouragement of our agriculture. The importation of foreign corn was *prohibited* until the prices reached a point that gave evidence of deficiency, and the necessity for foreign supply, when such was admitted at *fixed* but moderate duties; this system was found productive of great change and fluctuation, such as was felt oppressive to the consumer, from the great enhancement in price, without a corres-

ponding benefit being reaped by the grower. The present system was therefore substituted, founded on a graduated scale of prices, with relative rates of duty, the rate diminishing as prices advanced, for the admission of foreign corn, to protect the consumer, and increasing as the price fell, to protect the home grower ; by this system of balance a steadiness of price has been secured : an object of great importance to both grower and consumer. In evidence of it, I may state that since the last harvest the six weeks' averages for wheat have, I think, not varied above 2s per quarter, keeping generally between 53s and 54s, a price that requires all the economy and industry of the farmer to submit to and be enabled to meet the exigencies of the times ; yet it is as much as the working classes can at present afford ; to fall much lower would bring inevitable ruin on the farmer, without conferring any corresponding benefit on the consumer ; this has been deemed a wise and salutary system, and has hitherto worked well, though condemned by our new race of political economists, who assume to themselves all the wisdom and foresight of the present day.

To induce us to consent to this free trade in corn, we are promised, in the first instance, that our home growths shall be protected by a fixed rate of duty, a system that appears alike objectionable, whether of a temporary or a permanent character. Its effect would be to oppress the consumer when foreign supply was required, and prices high, which, even free from duty, it would be inconvenient for him to pay for ; whilst, with abundant home crops, sufficient for our consumption, this duty would not prevent the introduction of foreign supply, however low the prices might fall in consequence of glutted markets ;

thus bringing unavoidable distress and ultimate ruin on the home grower, causing great fluctuations and unsteadiness in price, without accomplishing the objects aimed at by its advocates; and were they to extinguish the duty when prices run high from deficient crops, the farmers would then be unjustly deprived of their right to high prices, as the only consideration they could receive, to make up for the falling off in quantity from such deficiencies.

Mr. Booth has entered his protest against the tithe of the church, and the present rates of rent paid to the landlord as oppressive to the poor. Is he aware that for the best lands in England the rents do not exceed one-fourth part of the gross value of the corn they produce, and that for inferior it is often only one-fifth part or less? Let us for the sake of experiment deduct the amount of rent; and in that case, taking the present price of wheat at 54s, one-fourth off for rent is 13s 6d, and when deducted, leaves 40s 6d to the farmer—at present good wheats may be put free on board at Hamburg for 24s—the freight from that port to London is not higher than the rates from the coast of Norfolk, 2s per quarter, and 10s duty, the highest named by the free traders in corn of the present day, and quoted as theirs by Mr. Booth (but without an expression of his approval,) you have these wheats delivered in London at 34s as the charges on them, being similar to those the Norfolk farmer must pay to have his conveyed there, cannot in justice, be added to the price, as one of competition. What then must be the fate of our land-owners and farmers when brought in contact with such competition, and with all their existing burthens on their shoulders?

Mr. Booth speaks of tithe as a burthen on the poor,

and an injury sustained, by the withdrawal of one-tenth of the gross produce of the corn-field from the market of supply ; at least such to me appears to be his meaning. Surely he is aware, that the tithe is as much the lawful recognised property of the church, as the estate is that of the landlord, or the crop that of the farmer, after payment for it : and that no person purchases an estate, no tenant leases a farm, no improver of waste lands calculates results, *without first deducting the amount of the tithe in their calculations.* On what grounds then of justice can Mr. Booth call the tithe a tax, or its nature a burden ? and when collected, is it not, to its extent, a source of supply to the general market ? There is one point more, and that is one in which, I think, Mr. Booth and I are agreed. He admits that a supply of labour, beyond the demand for it, must necessarily cause reduction in the price of that labour ; it is like all the fruits of productive labour, and even money itself : bring more to market than can be disposed of, and the consequence is a fall in price. As regards labour, with some exceptions, this is at present unfortunately the case, and the price, chiefly from competition for employment, has fallen to the low point which will only admit of the purchase of the common necessities of life, such as are required to sustain the individual in a state of labour ; and beneath it the price cannot fall without destroying the source of labour. We are told that taxation on articles of consumption oppresses the poor ; but what is the fact ? Let us admit that certain articles which he consumes are taxed, and that if these taxes were removed, he would be able to purchase at lower prices ; but would not the consequence be, that the price of his labour would be reduced in the *same proportion*, and

still remain at the lowest point? It is *property* that enables its owner to employ the working classes, and *property* therefore is, in point of fact, the subject of taxation and source of revenue. The more taxation is spread over consumption, the less its direct effects are felt, and the more easily they are borne.

I now take my leave of Mr. Booth and his pamphlet. I thank you for the promptitude with which you have admitted my observations into your columns, and am, yours, &c.

25th February.

LETTER V.

ON THE CURRENCY.

SIR,

AT the present eventful period, when the desire for innovation, under the more fascinating name of Reform, engages the attention of all classes, the spirit of agitation no longer consents to "let well alone," but, amongst other topics, calls loudly for changes in the state of our currency.

It is, therefore, my intention to consider how far any changes are practicable, and if practicable, whether such would be beneficial, or likely to answer the objects of those who advocate them.

To arrive at correct conclusions, it is necessary, first, to consider the present state and nature of our currency, with the causes which have produced and support that state; and, then, the changes required, as far as they can be ascertained, and what are the probable results to be expected, were it practicable to make and carry such changes into effect.

It is a well-known fact, that, although a large proportion of our present circulating medium consists of bank and bankers' promissory notes, restricted in amount to five pounds and upwards, yet, as they are all payable in gold on demand, our legal currency

is gold, as silver can only be tendered to a limited extent. The circulation of paper money is, therefore, a measure of *optional* expediency and convenience for facilitating payments, and supplying the want of a sufficient quantity of gold to meet general payments. Inland bills of exchange, as well as foreign, form an extensive and important branch of accommodation in the larger scale of payments, but they are not, strictly speaking, included in our currency.

During the progress of the last war, although the trade, commerce, and navigation of the country, became in its progress more extended and beneficial than at any former period, leaving annually a considerable balance of payments in our favour, this balance was not only consumed in the payment of large subsidies and loans made at different periods to foreign powers, together with the heavy expenses incurred for the support of our fleets and armies abroad, particularly of the last in Spain and Portugal ; but, further, large additional sums were required to meet these disbursements, which were provided for, first by the exportation of our stock of bullion, and then of the chief part of the gold and silver that formed our circulating medium ; in consequence, the suspension of cash payments by the Bank of England was enacted for a limited period, afterwards repeatedly extended, and their notes made a legal tender in all payments, which was productive of an extended creation and circulation of paper money, thus encouraged and protected by the suspension of cash payments.

It is also well known that in the commercial intercourse between two countries, the rates of exchange will be against the one that imports more in value than she

exports, and she has therefore a balance of payments against her that must be made in the precious metals, unless her trade with other countries leaves a balance in her favour, which, in that case, is set off to meet the deficiency; and, if sufficient to do so, she is thereby enabled to retain her gold and silver; but if in her aggregate intercourse the balance is against her, it is only by means of the precious metals she can provide for that balance; and when these are exhausted, her imports must be limited by the value of her exports. It is true, that at a certain sacrifice, specie or bullion may be transferred from a country where it is scarce to another where it is more abundant and of less value, for temporary speculative purposes, by influencing the exchanges; but this can only be persevered in for a limited period, until the object of the parties has succeeded or failed; and that being to support an artificial state of exchange in the country, which has a balance of payments to make good, it follows it cannot be of long duration.

By our heavy national continental payments, England was, as I have stated, thus drained of her bullion and metallic currency, and compelled to substitute a *protected* paper one in its stead; but this currency could only be used for internal purposes; and as the difficulty of meeting foreign payments increased, the exchanges became more against us; as buyers could not be found on the continent for bills drawn to make them, the relative value of gold to our paper money was therefore enhanced, and as the demand for exportation and consequent scarcity of gold increased, it disappeared from circulation, and in that *manner* and *proportion* our paper currency was depreciated; the price of gold in paper greatly exceeded the mint price owing to the heavy balance of payments which was to be made good.

In this state our currency remained until some time after the peace took place, when these foreign national payments having ceased, and the value of our exports continuing to exceed that of our imports, the balance of payments was again turned in our favour. From that period to the present time the balance of trade has generally been so; in the interval considerable foreign loans and speculative engagements entered into by individuals in other countries, together with extensive importations of foreign corn, made at periods of deficiency in our home growths, have interrupted the accumulation of these annual balances; yet their amount has gradually increased, and as bills on England in sufficient amount for remittance could no longer be found, the deficiencies were necessarily made up by the transmission of gold and silver which filled our coffers, and restored our metallic currency.

During the suspension of cash payments, and up to a late period, the circulation of paper money, particularly of one and two pound notes, was permitted, and carried to a great extent. The readiness with which these notes were received into circulation, and the willing confidence placed in those who issued them during the scarcity of gold, became unbounded on the part of the public; the parties who issued them, thus encouraged by the protection given them from cash payments, and tempted by the profits they considered they were receiving, became less scrupulous in their investigation of the nature of the securities they received in exchange, and went on increasing this circulation to an extent far exceeding the amount of their available or convertible funds; thus speculation of every kind was fostered and encouraged; —paper money, as it became more and more abundant,

fell in price, as compared with goods or real property, which were proportionately enhanced up to 1825, when speculation and confidence in every form and shape reached its climax ; then reflection interposed, confidence was shaken and withdrawn, and the bubble burst which paper money had thus created. Near one hundred country banks, as they were called, suspended their payments : the securities they had received in exchange for their notes were unavailing, and no funds were forthcoming to pay them—in consequence great, general, and individual distress ensued ; the value of goods and property became greatly depreciated, that of money enhanced, and credit received the severest shock ever experienced in the country from any previous commercial convulsion.

As the country recovered from this distressing and untoward state, the change in the state of our foreign payments continued to produce a regular and large importation of gold and silver, which being sold to the bank, and transferred to the mint, was brought into the circulation of the country. This supply has continued to go on, and has now been received in such quantity as amply to supply the circulation of England for all payments under five pounds, or for larger when required and preferred to bank notes. It is evident that in the present state of our foreign commercial relations, gold and silver cannot be exported to any extent, because it is not required for foreign payments, neither can it be allowed to remain unproductive of benefit in large quantities in the coffers of the bank, or of private individuals, and only a *comparatively* small proportion is required by the working gold and silversmiths ; the only vent and beneficial employment is therefore converting it into current

coin at the mint price for circulation, which is the course adopted.

I find I have exceeded the extent of an ordinary letter ; I shall therefore conclude for the present, intending to resume my subject for your next or following publication.

Yours, &c.

January 21, 1833.

LETTER VI.

SIR,

I NOW return to the consideration of the important subject of our currency, with a reference to what I have already stated.

Notwithstanding the expense consequent upon the necessity which country bankers are now under, of keeping a considerable supply of gold beside them, for the purpose of meeting their broken payments under five pounds, and exchanging their notes for larger sums when so required, their business has proved beneficial to themselves, and safer to the public; their issues have been kept on a more limited scale, while the capitals of monied men have been increasing; the trade of the country is protected by abundant supply and moderate prices; and the sound state of our currency renders more difficult the creation of artificial capital, and of that speculative hazardous enterprise, to which it was wont to be applied by those who had every thing to gain and but little to lose. In this state of things, with our trade and commerce flowing in a safe and steady channel, generally productive of some, though moderate profit, wild undertakings, such as most of us have witnessed in other times of delusive prosperity, are now kept in check; both merchant and manufacturer require less pecuniary aid in the shape of loan or discounts; money has therefore become plentiful, and in supply beyond demand;

in consequence, the discount rates of interest have been gradually falling ; at present not exceeding three per cent. and in some transactions even lower.

I now come to the changes that are called for in our currency. Such as I have seen proposed are certainly stated in terms more or less obscure and undefined. As far as I have been able to understand them, the leading features seem to be—a desire to restore the power to issue small notes of one and two pounds ; next, to increase the number of chartered or joint stock banking companies, and to remove the restrictions they are now subject to. There seem to be a few who would go the length of depreciating our currency, by increasing the value of our gold and silver coin, under a mistaken idea (I hope not a dishonest one) that they would in that proportion enhance the value of productive labour. They seem to think that the sovereign should retain its present value, but contain a less quantity of gold ; thus, if reduced one fourth, the debtor who owed 20s would be enabled to pay it with 15s of the currency in which his debt was contracted ! There the effect would cease, as the price of everything would thereafter rise in exact proportion to the depreciation. This principle has been contended for by a very few, as applicable to the public debt, under the name of an equitable adjustment, fixed upon a scale to correspond with the original contract prices ; but those who do so seem to forget that at the time when the greater part of the debt was contracted the low prices at which the loans were taken were the consequence of the extremely depressed state of public credit ; and therefore that the risk to the lender of being paid his annuity was considered to be in proportion to the price. That the war in which we were engaged, after so many alarming vicissitudes, terminated favourably, was fortu-

nate for the lenders ; but we all know it might have been otherwise. The public can have no right to avail themselves of that result, or change the solemn engagements then entered into with their creditors, even had the same parties continued to stand in that situation, which in few instances only can be found to be the case. If illustration is required, look to the late Belgian and Portuguese loans, where the prices are low, but are in proportion to the credit of the borrowers, and to their chance of repayment.

As regards the increase of chartered or joint stock banks, the only impediment understood to be in their way is the bank charter, which will soon expire; it is then to be hoped that the legislature will, by its enactments, encourage the creation of such banks as will afford increased security to the public in their money transactions, and therefore be preferable to that of the small banking concerns that now exist in almost every quarter of the country ; but as such banks are likely to be more guarded and tenacious in their issues, and in the securities on which they may be disposed to lend their funds, when banking is transferred to these channels of increased prudence and safety, it will be more likely to narrow than to extend the present paper circulation.

The only change, then, that seems to be avowed and understood, as requiring more particular observation, is that which purposes to restore the circulation of small notes ; for none have been hardy enough even to hint at the direct suspension of cash payments, though various schemes of securities have been broached to cover issues of notes under deposits or investments, but none with sufficient shape and substance to require consideration : were it otherwise, I should endeavour to show that they are uncalled for, and would not avail the parties who

might take an interest in them. I therefore return to the views and expectations of those who advocate resuming the issue of small notes.

These parties profess to do so on the ground that it would make money more abundant; that, in proportion to its abundance, the value of all the fruits of productive labour, and therefore of labour itself, would increase in this country; and abundance of employment would thus be afforded, and readily obtained by all the working classes, whose comforts would be increased; and that with these changes general prosperity and contentment would be restored! I think I shall find no difficulty in showing that this is altogether a delusion, and that such results would not be produced, were the measure itself practicable, which I do not hesitate to contend that it is not.

At the period when the issue of paper money, and of small notes in particular, became so general and extensive, the gold currency had been withdrawn and applied to foreign payments, for the purposes and in the manner I have stated; nor was it any way possible to recover the gold so exported until these engagements terminated; when they did so, they left the balances of payments in our favour, arising from the state of trade, to be received in the precious metals; until then we were necessarily and unavoidably dependent on a paper currency. As the gold and silver was in this manner brought back, it went into circulation, and took the place of the small notes. I think it must be evident to every one, that this consequence was the natural one to follow, and that the gold and silver received can *only* be employed in this manner.

It must also be kept in mind, that this importation of

the precious metals is the fruits of *national prosperity*, produced by the favourable state of our foreign trade; and I now ask those who propose to restore the small note currency, and thus extend the paper circulation, by what means they expect to effect it? There is now an ample supply of the precious metals in circulation, and found to be sufficient for every purpose; if notes are to be introduced, they must displace the metallic currency, and if they are to be payable in it at the will of the holder, how is this to be effected without such currency, were they to succeed in their object? But supposing that they did so, what is to be done with the gold now in circulation, when so displaced? or what are the inducements expected to influence the public to receive their payments in paper, rather than in gold, short of coercion. The gold cannot be exported to other countries, because we have, from the relative state of our trade with them, to receive, in place of having payments to make; and it cannot be supposed that the bank of England, private banks, or individuals, will consent to retain their gold in their coffers unemployed, and therefore unproductive. It is, then, evident that whilst our foreign trade remains in a prosperous state, and wealth increases, however slowly, with a balance of payments to receive, it can *only* be received in the precious metals, which must necessarily be employed in the currency of the realm, where it forms a safer and sounder medium for internal exchanges than has yet been discovered; nor will it stop in this state with the exclusion of small notes, but as the supply increases, it must also displace a part of the larger description of notes now in circulation.

Those who from poverty or disappointment feel the

pinch that follows both, appear to indulge the expectation, that if the circulation of paper money were to be extended they would be benefited by it. This is also a delusion. Can they suppose that those who might have the power and disposition to issue small notes on a large scale would part with such to them, or to any other, without first receiving satisfactory security in one shape or another? And if these parties, who proclaim whilst they deplore their own wants, have none such to give, I ask them how they can be benefited by such issues? On the other hand, I have already shown that those who do possess the means of giving such securities can *now* receive advances of money upon them to the fullest extent prudence will admit of, and consequently that no further creation of capital is required.

The circulating medium of Scotland is wholly paper, or nearly so, from one pound notes upwards, payable in cash at the will of the holder; but the relative situation of the two countries is very dissimilar—to speak *comparatively*, England is rich, Scotland is poor. England, with few exceptions, has always been accustomed to a metallic currency, Scotland to a paper one. In England, in order to benefit and promote the national bank, private banking was restricted to six partners, and the circulation of their paper money in many instances discouraged. In Scotland no such restrictions on banking existed; the want of gold made the circulation of small notes necessary, and without them the ordinary commercial intercourse could not be carried on. With few exceptions, private banking (such as exists in England) has been discouraged there and either chartered or joint stock companies established in preference, on account of the increased safety they

afforded. One of these exceptions, under the firm of Maberly and Co., by holding out the temptation of doing business on more favourable terms, succeeded, some years ago, in establishing banks for issuing notes in different quarters; they have since failed, and as yet, I understand, the holders of their notes have not even the prospect of a dividend. On the other hand, in the few instances that have occurred of joint stock banking companies suspending their payments, the creditors have always been paid in full: so much for the advantages the Scotch system of banking possesses over that of England. At the same time it must be taken into consideration, that the aggregate money business of Scotland is of a small amount when compared with that of England; and that the issues and circulation of bank notes is controlled and checked by wholesome local regulations, such as do not exist in English private banking; which regulations tend essentially to protect the public and benefit the banks.

I have thus endeavoured to point out the evils that were produced by an excess of paper currency, as well as the safety and advantages of a metallic one; that the last is the fruits of a prosperous foreign trade and the growing wealth of the country, and that whilst this state of things continues, it can neither be displaced, nor paper money substituted for it, were it even desirable; that the attempt would prove a failure, and a source of disappointment to its promoters.—I am not surprised to observe those who feel the want of money, while they see it abundant in the hands of their more fortunate neighbours, attempt to build castles in the air on the basis of paper kites, but I do lament to observe that many successful candidates for seats in the present

Parliament did in their addresses and speeches indulge themselves, for apparently popular objects, in descriptions of vague and undefined benefits, resting on similar grounds, and such as, in my opinion, are only calculated to mislead the credulous and ignorant, by creating unfounded expectations.—Yours, &c.

23d Jan. 1833.

LETTER VII.—TAXATION.

SIR,

THE repeal of taxes is at present a favourite subject with the public, and there are few of the multitude of petitions daily presented to Parliament, that do not include a prayer for the repeal of some one or more of the sources of public revenue, but without reference to the national engagements for which it is pledged.

Of the existing taxes, considered more or less objectionable, those on houses and windows are among the most prominent. They are represented as being unequal in their application, and oppressive on the middle classes; it therefore becomes desirable to inquire, and give consideration to the presumed necessity for their repeal.

Society, as subject to taxation, may be considered as divided into three distinct classes, all differently affected by its application;—first, the wealthy, or such as are independent in fortune;—next, the middle class, whose fortunes are not sufficient to exempt them from either bodily or mental labour;—and, lastly, the working class, who depend wholly on their personal labour for their support. I think it must be admitted that the house and window taxes are so framed as to fall but lightly on the first of these classes,—heavily on the second, whilst they seldom, and then only in a very slight degree, affect the last. The middle class, therefore, almost every where complain of the injustice they suffer from unequal contribution.

The principle of taxation is considered to be founded in the general protection received proportionably by the parties who are taxed. The revenue is understood to be equally raised in proportion to the means of each contributor, and to be equally applied for the benefit of the whole. Let us consider whether, as respects the house and window taxes, this principle is fairly applied.

That portion of society which is occupied in pursuits of industry, whose means are moderate, and property generally personal, resides in towns or villages, where the houses seldom belong to those who occupy them;—the rents paid are high in proportion to the cost of building them, and as their windows increase in number, the scale of taxation rapidly ascends.

On the other hand, the expensive and splendid country dwellings of the wealthy are their own property, built for comfort and personal gratification, without regard to cost; they are only, and rarely, to be let for rent when not required for the residence of their owners, and when so let, it is on such low terms as bear no relation to their cost. A tradesman's house, which costs eight or nine hundred pounds, will rent for £50;—it is taxed on that rate of rent, at the same per centage with the dwellings of the rich, which, not being *rented*, are *valued* for taxation, not in proportion to their cost of ten or twenty thousand pounds each, but at low valuations, such as, it is alleged, and justly as regards the fact, they would only bring if rented, perhaps, at £100 per annum. Thus the house that costs £800, rent £50, pays £7 1s 8d tax: the mansion that costs £20,000, valued at £100, (for the greater the cost, the lower the rental,) pays £14 3s 4d.

The scale under which the tax on windows is laid appears to be also unequal in its application and pressure; it increases up to a given point, within which the dwell-

ings of the industrious classes are placed, and rises in a diminished degree after it attaches to the mansions of the rich, until it reaches another point, when it ceases altogether. 45 windows pay £15 16s 9d tax; 180 pay £46 11s 3d.; whereas, if the proportions were alike, the rate would be £63 7s, whilst any given higher number is not subject to additional tax.

From these facts it appears that the industry of the tradesman is taxed more heavily than the property of the rich, whilst the principle of taxation applies to him in a lower rateable degree, as the sources of his expenditure are within himself, and what property he may possess, generally personal, therefore more easily removed, and standing less in need of protection than the real estates of the higher classes that cannot be moved, and from which their incomes and influence are drawn.

The inequality and injustice of these taxes appear to be evident, and also of a nature not to admit of equalization. In the house tax the rule adopted is the rate of rent, the habitations of the middle classes being built for profit, are rented high, whilst those of the rich, built for pleasure, and intended for the owner's sole occupation, are, for the reasons I have stated, not susceptible of being brought within the *just* application of the rule. The window tax may be less objectionable on this ground, as the scale might be amended so as to ascend in the same degree to any given number; but in that case the pressure would cause windows to be closed up, or houses left unoccupied.—The repeal of both taxes seems, therefore, to be well deserving the consideration of Parliament, as unsound in principle and unjust in application.

These taxes produce a revenue of above two millions and a half;—their repeal would cause a deficiency that could only be supplied by substituting some other of a

less objectionable character, which in these times is not a matter of light consideration. A property tax has many advocates; it could only be adopted if applied to income, and to be equally so, it must include the profits of all capital employed in commerce, trade, and manufacture, as well as the fruits of professional life; and although the rates levied on these sources might, from their more uncertain nature, be placed on a lower scale than those arising from real property, the public funds, annuities, mortgages, or others of a more certain character, yet, still, the industrious classes would feel them heavily, whilst their unavoidable inquisitorial operation, calling often for disclosures and explanations of the most painful nature, would lead to endless vexation and frequent frauds for the purpose of concealment, and would thus hold out, as it were, a premium for perjury!—It, therefore, appears to be alike impolitic, impracticable, and revolting to the feelings of Englishmen, to raise a *permanent* revenue from a tax on income.

Taxation on consumption is certainly less felt than direct taxation by the community at large, being more widely spread, and imperceptibly levied; all classes being subject to its operation in proportion to their optional consumption; and, as the expenditure of the rich is usually in proportion to their fortunes, so, in that increased degree, they are influenced by and contribute to indirect taxation. But, to this department of taxation, it is objected that it presses heavily on the labouring classes; which does not appear to me to be well founded; for whilst the supply of labour exceeds the demand for it, as unfortunately it does now, and is too likely to continue to be the case, wages for labour sink down to the lowest points of remuneration, which are such as are absolutely necessary to preserve life for the purposes of labour;

therefore, if articles necessary for their use are taxed, their cost is in that proportion enhanced, and must be included in the price paid for their labour; but if they were not so taxed, the price would in that proportion be diminished, and their wages reduced in the same degree. It therefore follows, that whilst this surplus of labour beyond demand continues, the repeal of such taxes on consumption would produce no benefit to the working classes. The truth seems to be, that, generally speaking, property is, with few exceptions, directly or indirectly, the more immediate object of taxation, and the most permanent source of revenue; where such exceptions exist, as in the case of duties on houses and windows paid by the middle classes, the sooner they can be got free of, the better it will be for the community at large.

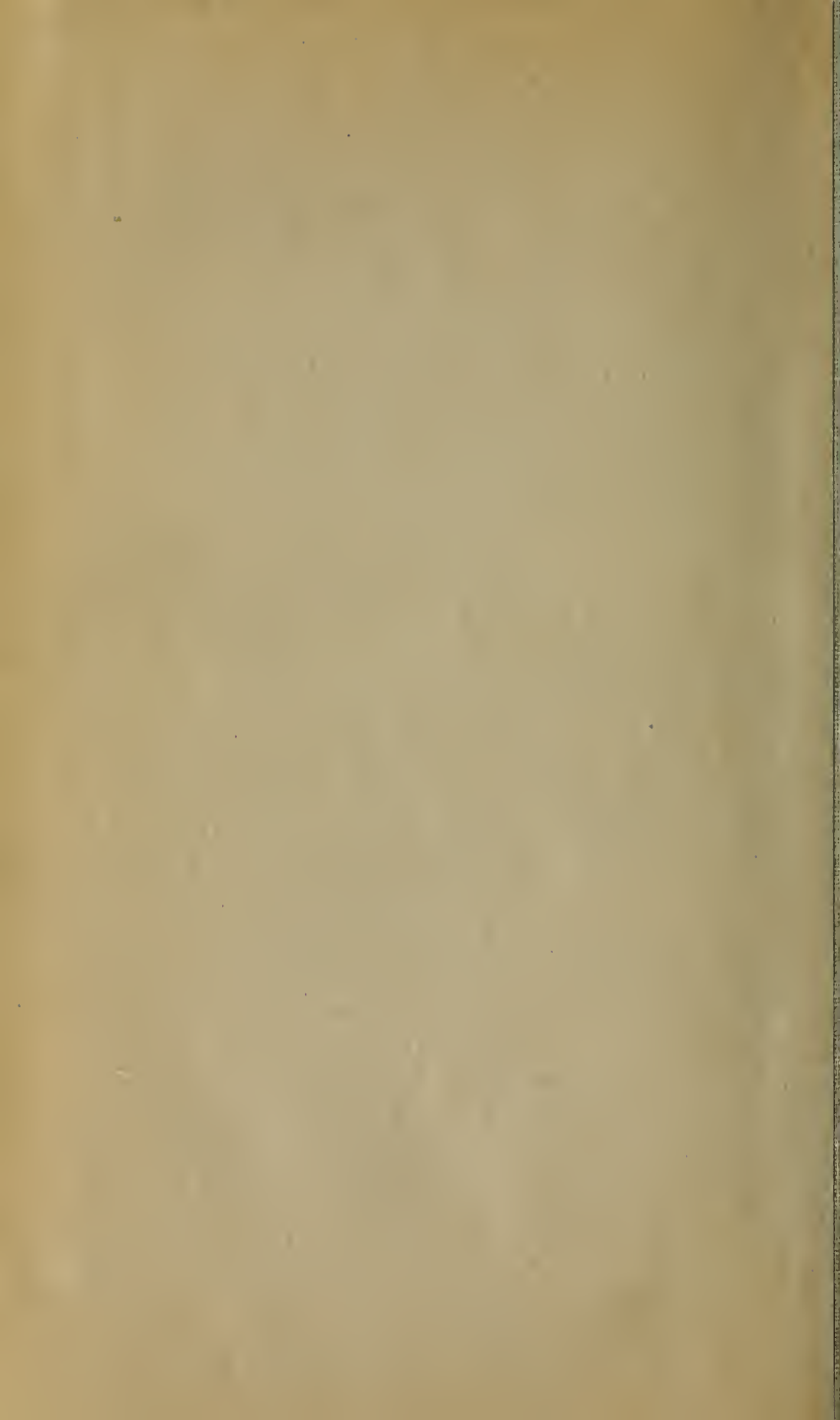
If I might venture to suggest a substitute for the house and window tax, it would be a tax on the inheritance of real property, of the same amount with that now levied from the heirs of personal property. In principle, perhaps, the rate ought even to be higher, as the protection required to such property is greater; but it is, at the same time, to be considered that the inheritance of real property is subject to other charges from which that of personal is exempt; but it does seem most unjust that the heir of the wealthy owner of real estates should be exempt from tax, and the comparatively poor man, who succeeds to personal property only, should be liable to it. From such a source a very large revenue might justly be drawn: it seems well deserving the consideration of the Chancellor of the Exchequer, pressed, as he now is, from all quarters for relief from existing taxes; and, as our present government is said to be chiefly formed of rich and patriotic men, who look to and desire their country's, more than their individual advantage, a favourable op-

portunity seems thus to be afforded them for setting the example to the other wealthy members of the community, by promoting a measure which would be alike just towards others, and honourable to themselves.

Yours, &c.

MERCATOR.

22nd March.



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